

The Three Stages of Small Business Success by Alan Buhler

Despite all the coverage the media usually reserves for large, fast-growth companies, most businesses in America are small businesses-very small businesses. According to the U.S. Census Bureau, there are seventeen million proprietorships, partners, and subchapter S corporations in the U.S. Ninety-seven percent of all those businesses generate under \$1 million in revenues, with sixty-nine percent of those business owners representing their income as under \$50K.

Although, seventy-five percent of those businesses will fail within a year after start-up, few will actually fail due to bankruptcy. Why do these businesses fail? Most just give-up stating, "It's not worth all the work and headaches." But, why was it so much "work" and what were the "headaches?"

According to the Price Group, eighty-seven percent of these businesses operated without a sales and marketing plan. It's true that some companies will succeed in spite of themselves, but most cannot. Starting and operating a business without a sales and marketing plan is like trying to turn water into wine, or frogs into princes-it's either a fairy tale or requires divine intervention.

All new businesses go through three stages as they grow from infancy to maturity. Each of these stages represents a unique sales and marketing strategy. If you know and understand these stages you can prepare yourself to avoid the hidden traps and fatal flaws that can sabotage your success.

- **Stage 1** - During this period the company must be constantly nurtured, watched, and guarded. You must be willing to keep giving to it and you shouldn't expect anything in return. During this stage the owner is usually responsible for all business development. There tends to be a feast and famine approach to selling. Lots of time is spent on marketing and selling until a new customer is obtained. Then all of the owner's time is spent working on, and completing, the project-with very little, or no, time spent selling. When the project is finished there is no more work or income, therefore all the time is spent hunting for new business.

Face-to-face selling, cold calling, and networking are usually the only way companies in this stage can acquire new customers. Hiring marketing and public relations firms are usually outside of the budget, and effective advertising can be cost prohibitive. And, it has been proven time and time again that just because you build a better mousetrap, doesn't mean people will beat a path to your door. Nothing gets done until you sell something.

Most of these new business owners fail to think strategically, and are uncomfortable selling. They would rather act as an employee of the company (working "in" the business on projects), than act as an executive of the company working "on" the business. It is imperative that new businesses balance sales/marketing, personal development, and administration along with project development, completion, and delivery to advance to the next stage. Staying in your comfort zone and not creating a framework for the future that includes effective selling activities almost always results in failure.

- **Stage 2** - This is the period in which the company begins to support itself. You should focus on slow, steady, directed growth. It is important not to treat your company as if it were in stage three. During this stage functional teams begin to develop. The owner spends less time on business development, and salespeople are hired to bring in new business. The feast and famine is replaced with a steady diet of new business while fulfillment of products and services sold often becomes difficult to maintain.

During this stage, growth is usually obtained by introducing new potential customers to existing products and services. In some cases, new product or service offerings are presented to existing customers as well. However, trying to continuously offer new products and services to new potential customers during this stage can lead to over promising, under delivering, and bankruptcy.

In addition to face-to-face selling, cold calling and networking, referrals begin to make up a portion of your new business. Advertising, promotional and public relation tools also must be added to your business development activities during this stage to support the sales effort. By now your overall business goals have been well established and communicated to everyone on the team. Your positioning of what makes you unique and the philosophy of what differentiates you needs to be communicated to a larger market. Creating a strategic framework that focuses your energy on the most productive use of your time, putting forth a disciplined effort to produce fundamental decisions and actions, will shape and guide what your organization will look like, what it does, and why it does it as you move into the next stage.

- **Stage 3** - This is the maturing time for your company. If you have reached this stage your odds of business success are high. It is the time for you to focus on the strengths and weaknesses that will support or limit your future growth. Profit centers are developed and a noticeable corporate culture begins to emerge.

Continued growth through diversification is ideal. A blend of new and existing customers, combined with a blend of new and existing products/services will create stability as well as growth. More and more customers are obtained by brand awareness, name recognition, and reputation.

Reviewing and revising your strategic framework is essential. Fifty-nine percent of stage three companies that fail did so because they did not adapt to changes in their marketplace. External threats to your business success will begin to emerge more often, and must be dealt with quickly and effectively.

Millions of people are enjoying the experiences of starting a new business. At times it will seem as if no one understands the challenges and struggles you are going through. But, realize that many others have come and gone before you. Don't be afraid to reach out for help. You will accomplish more when you reach out for help than if you hang on to stubbornness and think you can figure it out all by yourself.

Keep your eye on the big picture, focus on the present, and develop a model that drives you. Position your company properly, track and measure your progress, and serve others in a way that meets what they want and need. If you do this, one day your small business may become a Fortune 500 company... anything is possible.

Alan Buhler is a Georgetown based business development speaker, coach, consultant, and trainer. He also is author of the book: The Selling Safari. He can be reached at (512) 630-6578 or (alan@SalesResearch.net), or visit (www.SalesResearch.net).

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